

MARION COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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MARION COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sam Nichols	Board of Supervisors	Jan. 2013
Jim Kingery	Board of Supervisors	Jan. 2013
Craig Agan	Board of Supervisors	Jan. 2015
Jake Grandia	County Auditor	Jan. 2013
Denise Emal	County Treasurer	Jan. 2015
Karen Schwanebeck	County Recorder	Jan. 2015
Ronald Goemaat	County Sheriff	Jan. 2013
Ed Bull	County Attorney	Jan. 2015
Drew Sanders	County Assessor	Jan. 2016

INDEPENDENT AUDITOR'S REPORT

To the Officials of Marion County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Marion County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2013 on our consideration of Marion County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 58 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 12, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
March 18, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Marion County, Iowa provides this Management's Discussion and Analysis of Marion County's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

FINANCIAL HIGHLIGHTS

County governmental funds revenue increased 2.8% or \$578,134 from 2011 to 2012. Property and other county taxes increased approximately \$501,000.

County governmental funds program expenditures increased approximately .5%, or \$106,998, from 2011 to 2012. Mental health expenditures increased approximately \$634,000 while roads and transportation expenditures decreased approximately \$706,000.

The County's governmental activities net assets increased 8.7%, or \$3,032,819, during the year ended June 30, 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of a statement of net assets and a statement of activities. These provide information about the activities of Marion County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Marion County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Marion County acts solely as an agent or custodian for the benefit of those outside of the government.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a

section of required supplementary information that further explains and supports the financial statements with a comparison of the County's budget for the year. Required supplementary information provides a comparison of actual receipts and disbursements to amounts budgeted.

Supplementary information provides detailed information about the nonmajor special revenue and the individual fiduciary funds.

REPORTING THE COUNTY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net assets and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are displayed in the statement of net assets and the statement of activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration and interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. These governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Service, and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. Proprietary funds include the County's employee group health insurance, internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

3. Fiduciary funds are used to report assets held in trust or agency capacity for others and cannot be used to support the government's own programs. These fiduciary funds include agency funds that account for emergency management services and the county assessor to name a few.

The required financial statements for fiduciary funds include a statement of fiduciary assets and liabilities.

A summary reconciliation between government-wide financial statements and the fund financial statements follows the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position.

The County's combined net assets increased by \$3,032,819 from FY 2011. The increase in net assets is primarily due to an increase in secondary roads infrastructure and equipment. Our analysis below focuses on the net assets of the County's governmental activities.

Net Assets of Governmental Activities		
	2011	2012
Current and other assets	23,887,922	23,389,070
Capital assets	27,510,094	30,585,043
Total assets	51,398,016	53,974,113
Long-term liabilities	5,356,653	5,160,806
Other liabilities	11,291,143	11,030,268
Total Liabilities	16,647,796	16,191,074
Net assets:		
Invested in capital assets, net of related debt	22,750,094	26,035,043
Restricted	7,414,294	6,571,240
Unrestricted	4,585,832	5,176,756
Total net assets	34,750,220	37,783,039

The net assets of the County's governmental activities increased by 8.7%. The largest portion of the County's net assets is Invested in Capital Assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the Investment in Capital Assets is liquidated with sources other than capital assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from \$4,585,832 at June 30, 2011 to \$5,176,756 at the end of this year, an increase of 13 percent.

This increase of \$590,924 in unrestricted net assets was a result of increased property tax revenue and intergovernmental revenue. The County decreased its investment in roadway equipment and road construction by approximately \$392,689 over the prior year. The County has adopted a five year plan to replace aging equipment and bring all County secondary roads up to the standards established by the County Planning Committee, and adopted by the County Board of Supervisors, on March 23, 2012.

Changes in Net Assets of Governmental Activities

	2011	2012	Net Change
Revenues:			
Program revenues:			
Charges for service and sales	1,947,222	1,634,044	(313,178)
Operating grants and contributions	6,854,209	6,939,242	85,033
Capital grants and contributions	2,105,116	4,102,967	1,997,851
General revenues:			
Property tax, state credits, penalty	9,938,635	10,349,267	410,632
Local option sales and services tax	1,085,928	1,146,373	60,445
Payment in lieu of real estate taxes	98,241	99,989	1,748
Unrestricted investment earnings	110,197	71,328	(38,869)
Other general revenues	7,865	50,021	42,156
Total revenues	22,147,413	24,393,231	2,245,818
Program expenses:			
Public safety and legal services	3,286,386	3,434,275	147,889
Physical health and social services	2,585,659	2,501,572	(84,087)
Mental health	2,463,491	3,095,567	632,076
County environment and education	1,743,821	1,430,697	(313,124)
Roads and transportation	8,034,023	7,440,726	(593,297)
Government services to residents	675,079	640,573	(34,506)
Administration or general government	2,273,609	2,464,476	190,867
Interest on long-term debt	186,522	352,526	166,004
Total expenses	21,248,590	21,360,412	111,822
Increase (decrease) in net assets	898,823	3,032,819	2,133,996
Net assets July 1	33,851,397	34,750,220	898,823
Net assets June 30	34,750,220	37,783,039	3,032,819

The County's total government wide revenues increased 10%. The total government wide cost of all programs and services increased .5%. The County covered this year's expenses.

Governmental Activities

Property tax, state credits and penalties revenue for the year increased 4.1%. The County increased countywide property tax rates in 2012 by \$.06357. A Debt Service Levy of .20803 in 2011 was decreased to .20110 in 2012 due to early refinancing of the Law Enforcement Center bond issue.

The cost of all governmental activities this year was \$21,360,412 compared to \$21,248,590 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes and reserves was only \$8,684,159 because some of the cost was paid by those directly benefiting from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The County's governmental program revenues, including grants, intergovernmental aid, and fees for services, increased in 2012 from \$10,906,547 to \$12,676,253.

THE COUNTY'S INDIVIDUAL MAJOR FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of \$12,288,225, a decrease from last year's total of \$12,392,517. The County funds received \$104,292 less than were expended for the year. The following are the major reasons for the changes in fund balances for the year:

General Fund expenses decreased from \$10,523,030 in 2011 to \$9,918,320 in 2012, or 5.7%.

The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$3,094,667, an increase of 25.8% from the prior year. The Mental Health Fund balance at year end decreased by \$883,454 or 77.5% from the prior year.

Rural Service Fund revenues increased 5.4% from \$2,329,315 in 2011 to \$2,455,661 in 2012. The Rural Service ending fund balance increased by \$58,422 or 9.4% due to an increase in property tax revenues. Secondary Roads Fund expenditures increased by \$298,789 or 4.7% over the prior year. Transfers in increased by \$74,212. The ending fund balance in the Secondary Roads Fund was \$1,497,063, a decrease of \$283,188 from the prior year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds, except agency funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on the cash basis. Over the course of the year, the County amended its operating budget two times, increasing budgeted disbursements by \$2,990,372 and increasing budgeted receipts by \$764,971. The amendments were made on December 27, 2011 and May 29, 2012. Highlights of the budget amendment were Secondary Road & Conservation material and repairs, mental health expenses, a new roof on the Community Action Building, the Tracy Sewer Project and early payoff of an interfund loan.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Marion County had \$30,585,043 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This amount represents a net increase (including additions and deletions) of \$3,074,949 or 11.2% over last year. This increase is due primarily to improvements to road infrastructure and the purchase of new road maintenance equipment.

Capital Assets of Governmental Activities at Year End

	2011	2012
Land & other non-depreciable assets	\$ 300,281	827,854
Buildings & Improvements	11,252,628	10,872,893
Machinery & Equipment	2,002,960	1,833,413
Infrastructure	13,954,225	17,050,883
Totals	\$ 27,510,094	30,585,043

Long-term Liabilities

At year-end, the County had \$5,160,806 in long-term liabilities compared to \$5,356,653 last year as shown below.

Long-term Liabilities of Governmental Activities at Year-End		
	2011	2012
Compensated absences	\$ 458,270	458,050
Net OPEB Liability	119,000	149,000
Early Retirement	19,383	3,756
General Obligation Law Enforcement Center Bonds	3,880,000	240,000
General Obligation County Building & Refunding Bonds	880,000	4,310,000
Totals	\$ 5,356,653	5,160,806

Long-term liabilities decreased as a result of payments made on General Obligation Bond debt. Other obligations include accrued vacation pay, compensatory time, OPEB liability and early retirement. More detailed information about the County's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Marion County's elected and appointed officials and citizens considered many factors when setting the 2013 fiscal year budget, tax rates, and the fees that will be charged for the various County activities. One of those factors is the economy. Residential sales of property in the County have remained steady. Countywide taxable valuations increased in 2012. Unemployment in the State of Iowa now stands at 4.9 percent versus 5.6 percent a year ago. The Consumer Price Increase was 2.9%.

These indicators were taken into account when adopting the County budget for 2013. Budgeted receipts in the operating budget are \$19,580,176, a decrease of 2.5 percent under the final 2012 budget. Marion County will use these receipts to finance programs currently offered and offset the effect we expect inflation to have on program costs. The County has added no major new programs to the 2013 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Marion County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, Marion County, 214 E Main Street, Knoxville, Iowa.

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Basic Financial Statements

MARION COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 11,494,609
Receivables:	
Property tax:	
Delinquent	25,380
Succeeding year	10,215,000
Interest and penalty on property tax	49,695
Accounts	156,379
Accrued interest	5,642
Due from other governments	968,396
Inventories	473,969
Capital assets, net of accumulated depreciation (note 6)	<u>30,585,043</u>
Total assets	<u>53,974,113</u>
Liabilities	
Accounts payable	422,965
Salaries and benefits payable	90,451
Due to other governments (note 7)	256,435
Claims incurred but not reported	16,000
Accrued interest payable	29,417
Deferred revenue:	
Succeeding year property tax	10,215,000
Long-term liabilities (note 8):	
Portion due or payable within one year:	
Early retirement	3,756
General obligation bonds	390,000
Compensated absences	458,050
Portion due or payable after one year:	
General obligation bonds	4,160,000
Net OPEB liability	<u>149,000</u>
Total liabilities	<u>16,191,074</u>

MARION COUNTY
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 26,035,043
Restricted for:	
Supplemental levy purposes	2,912,288
Mental health purposes	252,171
Rural services purposes	424,099
Secondary roads purposes	1,383,609
Debt service	24,226
Other purposes	1,574,847
Unrestricted	<u>5,176,756</u>
Total net assets	<u>\$ 37,783,039</u>

See notes to financial statements.

MARION COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 3,434,275	\$ 301,445	\$ 260,032	\$ -	\$ (2,872,798)
Physical health and social services	2,501,572	40,305	1,548,173	-	(913,094)
Mental health	3,095,567	3,402	1,127,318	-	(1,964,847)
County environment and education	1,430,697	363,747	55,661	79,072	(932,217)
Roads and transportation	7,440,726	280,270	3,917,309	4,023,895	780,748
Government services to residents	640,573	533,194	23,611	-	(83,768)
Administration	2,464,476	111,681	7,138	-	(2,345,657)
Interest on long-term debt	<u>352,526</u>	-	-	-	<u>(352,526)</u>
Total	\$ <u>21,360,412</u>	\$ <u>1,634,044</u>	\$ <u>6,939,242</u>	\$ <u>4,102,967</u>	<u>(8,684,159)</u>
General Revenues:					
Property and other county tax levied for:					
General purposes					9,688,708
Debt service					240,247
Penalty and interest on property tax					98,641
State tax credits					321,671
Local option sales and services tax					1,146,373
Payments in lieu of real estate taxes					99,989
Unrestricted investment earnings					71,328
Miscellaneous					<u>50,021</u>
Total general revenues					<u>11,716,978</u>
Change in net assets					3,032,819
Net assets beginning of year					<u>34,750,220</u>
Net assets end of year					\$ <u>37,783,039</u>

See notes to financial statements.

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MARION COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 8,366,218	\$ 580,623	\$ 657,499	\$ 1,412,552
Receivables:				
Property tax:				
Delinquent	15,803	2,485	6,694	-
Succeeding year	6,686,000	1,052,000	2,299,000	-
Interest and penalty on property tax	49,695	-	-	-
Accounts	135,896	714	715	18,469
Accrued interest	5,471	-	-	-
Interfund receivable (note 4)	619,168	-	-	-
Due from other governments	460,606	110,243	29,770	367,777
Inventories	-	-	-	473,969
Total assets	<u>\$ 16,338,857</u>	<u>\$ 1,746,065</u>	<u>\$ 2,993,678</u>	<u>\$ 2,272,767</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 457,066	\$ 11,473,958
398	25,380
178,000	10,215,000
-	49,695
585	156,379
171	5,642
-	619,168
-	968,396
-	473,969
<u>\$ 636,220</u>	<u>\$ 23,987,587</u>

MARION COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Interfund payable (note 4)	\$ -	\$ -	\$ -	619,168
Accounts payable	122,857	197,154	2,616	100,338
Salaries and benefits payable	48,071	-	7,285	35,095
Due to other governments (note 7)	18,132	238,303	-	-
Deferred revenue:				
Succeeding year property tax	6,686,000	1,052,000	2,299,000	-
Other	64,825	2,438	6,586	21,103
Total liabilities	6,939,885	1,489,895	2,315,487	775,704
Fund balances:				
Nonspendable:				
Inventories	-	-	-	473,969
Restricted for:				
Supplemental levy purposes	2,886,722	-	239,180	-
Cemetery levy purposes	2,566	-	-	-
Local option sales and services tax	537,811	-	-	-
Courthouse security	75,684	-	-	-
Mental health purposes	-	256,170	-	-
Rural services purposes	-	-	439,011	-
Secondary roads purposes	-	-	-	1,023,094
Conservation purposes	554,209	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Assigned for:				
Care facility maintenance	592	-	-	-
Sheriff's reserve officers	28,023	-	-	-
Unassigned	5,313,365	-	-	-
Total fund balances	9,398,972	256,170	678,191	1,497,063
Total liabilities and fund balances	\$ 16,338,857	\$ 1,746,065	\$ 2,993,678	\$ 2,272,767

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 619,168
-	422,965
-	90,451
-	256,435
178,000	10,215,000
391	95,343
<u>178,391</u>	<u>11,699,362</u>
-	473,969
-	3,125,902
-	2,566
-	537,811
-	75,684
-	256,170
-	439,011
-	1,023,094
370,379	924,588
53,252	53,252
34,198	34,198
-	592
-	28,023
-	5,313,365
<u>457,829</u>	<u>12,288,225</u>
<u>\$ 636,220</u>	<u>\$ 23,987,587</u>

MARION COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total fund balances of governmental funds	\$ 12,288,225
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$51,068,989 and the accumulated depreciation is \$20,483,946.	30,585,043
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	95,343
---	--------

The Internal Service Funds are used by management to charge the costs of the self funding of the County's dental insurance benefit plan to individual funds and to account for the County's health and vision insurance and flexible benefits plan. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	4,651
--	-------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(29,417)
--	----------

Long-term liabilities, including early retirement payable, bonds payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,160,806)</u>
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Net assets of governmental activities	<u>\$ 37,783,039</u>
---------------------------------------	----------------------

See notes to financial statements.

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MARION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 7,430,927	\$ 1,047,375	\$ 2,363,623	\$ -
Interest and penalty on property tax	93,120	-	-	-
Intergovernmental	2,303,808	1,160,436	92,038	4,451,555
Licenses and permits	27,030	-	-	7,158
Charges for service	1,102,755	-	-	20,897
Use of money and property	121,199	-	-	-
Miscellaneous	120,414	3,402	-	252,215
Total revenues	11,199,253	2,211,213	2,455,661	4,731,825
Expenditures:				
Operating:				
Public safety and legal services	3,137,421	-	173,795	-
Physical health and social services	2,451,806	-	-	-
Mental health	-	3,094,667	-	-
County environment and education	1,019,376	-	295,222	-
Roads and transportation	349,872	-	292,305	5,416,824
Government services to residents	594,580	-	1,526	-
Administration	2,261,425	-	-	-
Debt service	8,478	-	-	-
Capital projects	95,362	-	-	1,271,669
Total expenditures	9,918,320	3,094,667	762,848	6,688,493
Excess (deficiency) of revenues over (under) expenditures	1,280,933	(883,454)	1,692,813	(1,956,668)
Other financing sources (uses):				
Sale of capital assets	-	-	-	39,089
Interfund transfers in (note 5)	-	-	-	1,634,391
Interfund transfers out (note 5)	(300,000)	-	(1,634,391)	-
General obligation refunding bonds issued	-	-	-	-
Payments to refunding bond escrow	-	-	-	-
Total other financing sources (uses)	(300,000)	-	(1,634,391)	1,673,480

	<u>Nonmajor</u>	<u>Total</u>
\$	240,419	\$ 11,082,344
	-	93,120
	22,750	8,030,587
	-	34,188
	6,656	1,130,308
	543	121,742
	5,499	381,530
	<u>275,867</u>	<u>20,873,819</u>

	4,226	3,315,442
	-	2,451,806
	-	3,094,667
	-	1,314,598
	-	6,059,001
	10,062	606,168
	-	2,261,425
	576,845	585,323
	-	1,367,031
	<u>591,133</u>	<u>21,055,461</u>

(315,266) (181,642)

	-	39,089
	300,000	1,934,391
	-	(1,934,391)
	3,575,000	3,575,000
	<u>(3,536,739)</u>	<u>(3,536,739)</u>
	<u>338,261</u>	<u>77,350</u>

MARION COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 980,933	\$ (883,454)	\$ 58,422	\$ (283,188)
Fund balances beginning of year	8,418,039	1,139,624	619,769	1,780,251
Fund balances end of year	<u>\$ 9,398,972</u>	<u>\$ 256,170</u>	<u>\$ 678,191</u>	<u>\$ 1,497,063</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 22,995	\$ (104,292)
<u>434,834</u>	<u>12,392,517</u>
<u>\$ 457,829</u>	<u>\$ 12,288,225</u>

MARION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (104,292)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlay
expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 1,671,807	
Capital assets contributed by the Iowa Department of Transportation	3,601,837	
Depreciation expense	<u>(2,198,695)</u>	3,074,949

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds, as follows:

Property tax	(1,853)	
Other	<u>(119,667)</u>	(121,520)

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets and does not affect the Statement of Activities. (3,575,000)

Repayment of long-term liabilities is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the Statement of
Net Assets. 3,785,000

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

Early retirement	15,627	
Compensated absences	220	
Net OPEB liability	(30,000)	
Interest on long-term debt	<u>(15,464)</u>	(29,617)

MARION COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

The Internal Service Funds are used by management to charge the costs of the self funding of the County's dental insurance benefit plan to individual funds and to account for the costs of the County's health and vision insurance and flexible benefits plan. The change in net assets of the Internal Service Funds is reported with governmental activities.

\$ 3,299

Change in net assets of governmental activities

\$ 3,032,819

See notes to financial statements.

MARION COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	<u>Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ <u>20,651</u>
Liabilities	
Claims incurred but not reported	<u>16,000</u>
Net Assets	
Unrestricted	\$ <u><u>4,651</u></u>
See notes to financial statements.	

MARION COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Internal Service Funds
	<u> </u>
Operating revenues:	
Contributions	\$ <u>1,493,065</u>
Operating expenses:	
Claims	187,191
Insurance premiums	1,295,249
Administrative fees	<u>7,332</u>
Total operating expenses	<u>1,489,772</u>
Operating income	3,293
Non-operating revenues:	
Interest on investments	<u>6</u>
Net income	3,299
Net assets beginning of year	<u>1,352</u>
Net assets end of year	\$ <u><u>4,651</u></u>

See notes to financial statements.

MARION COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2012

	Internal Service Funds
	<u> </u>
Cash flows from operating activities:	
Cash received for contributions	\$ 1,493,065
Cash payments for claims	(187,910)
Cash payments for insurance premiums	(1,295,249)
Cash payments for fees and other expenses	<u>(7,951)</u>
Net cash provided by operating activities	<u>1,955</u>
Cash flows from investing activities:	
Interest on investments	<u>6</u>
Net increase in cash and cash equivalents	1,961
Cash and cash equivalents beginning of year	<u>18,690</u>
Cash and cash equivalents end of year	\$ <u><u>20,651</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,293
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in accounts payable	<u>(1,338)</u>
Net cash provided by operating activities	\$ <u><u>1,955</u></u>

See notes to financial statements.

MARION COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2012

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,895,191
Other County officials (note 3)	265,963
Receivables:	
Property tax:	
Delinquent	61,733
Succeeding year	28,981,000
Accounts	50,799
Accrued interest	53
Due from other governments	<u>91,699</u>
 Total assets	 <u><u>\$ 31,346,438</u></u>

Liabilities

Accounts payable	\$ 105,972
Salaries and benefits payable	2,392
Due to other governments (note 7)	30,860,990
Trusts payable	357,010
Compensated absences	<u>20,074</u>
 Total liabilities	 <u><u>\$ 31,346,438</u></u>

See notes to financial statements.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies

Marion County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Marion County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County. The County has no component units which meet the Governmental Accounting Standards Board Criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Marion County Assessor's Conference Board, Marion County Emergency Management Commission, and Marion County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary funds of the County apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service funds are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Interfund Receivable/Payable – Certain transactions between funds occur during the year. Interfund receivables and payables represent these amounts to the extent of which they had not yet been repaid at year end. These amounts are eliminated from the government-wide financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Intangibles	\$ 250,000
Infrastructure	250,000
Land, buildings and improvements	50,000
Equipment and vehicles	5,000

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-40
Improvements other than buildings	20-40
Infrastructure	10-65
Equipment	3-20
Vehicles	5-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the capital projects function prior to amending the budget and the debt service function at year end. Disbursements in one department exceeded the amount appropriated at year end.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 3. Cash – Other County Officials

The following is a summary of cash and investments held by other County officials at June 30, 2012:

Office:

County Auditor:		
Office fees	\$	6
Cemetery trusts	<u>3,833</u>	\$ 3,839
County Recorder:		
Office fees		39,681
County Sheriff:		
Office fees		61,819
Board of Supervisors:		
Knoxville Congregate Meals Trust	159,811	
Senior Activity Trust	<u>813</u>	<u>160,624</u>
		\$ <u><u>265,963</u></u>

Note 4. Interfund Receivable/Payable

A summary of interfund receivables and payables is as follows:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Total</u>
General Fund	Special Revenue: Secondary Roads	\$ <u><u>619,168</u></u>

This amount represents the balance of a non-current interfund loan.

Note 5. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,634,391
Debt Service	General	<u>300,000</u>
		\$ <u><u>1,934,391</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 6. Capital Assets

A summary of capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 300,281	\$ -	\$ -	\$ 300,281
Construction in progress	-	527,573	-	527,573
Total capital assets not being depreciated	<u>300,281</u>	<u>527,573</u>	<u>-</u>	<u>827,854</u>
Capital assets being depreciated:				
Buildings	14,776,877	-	-	14,776,877
Improvements other than buildings	251,987	-	-	251,987
Machinery and equipment	10,089,076	516,234	668,292	9,937,018
Infrastructure	21,045,416	4,229,837	-	25,275,253
Total capital assets being depreciated	<u>46,163,356</u>	<u>4,746,071</u>	<u>668,292</u>	<u>50,241,135</u>
Less accumulated depreciation for:				
Buildings	3,607,166	368,550	-	3,975,716
Improvements other than buildings	169,070	11,185	-	180,255
Machinery and equipment	8,086,116	685,781	668,292	8,103,605
Infrastructure	7,091,191	1,133,179	-	8,224,370
Total accumulated depreciation	<u>18,953,543</u>	<u>2,198,695</u>	<u>668,292</u>	<u>20,483,946</u>
Total capital assets being depreciated, net	<u>27,209,813</u>	<u>2,547,376</u>	<u>-</u>	<u>29,757,189</u>
Governmental activities capital assets, net	<u>\$ 27,510,094</u>	<u>\$ 3,074,949</u>	<u>\$ -</u>	<u>\$ 30,585,043</u>

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 6. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 235,670
Physical health and social services	65,345
County environment and education	83,780
Roads and transportation	1,577,472
Government services to residents	49,482
Administration	<u>186,946</u>

Total depreciation expense - governmental activities	<u>\$ 2,198,695</u>
--	---------------------

Note 7. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 18,132
Special Revenue:		
Mental Health		<u>238,303</u>
Total for governmental funds		<u>\$ 256,435</u>
Agency:		
County Assessor	Collections	\$ 736,309
Area Schools		696,169
Schools		18,267,292
Corporations		9,269,973
Townships		521,473
Auto License and Use Tax		732,751
All Other		<u>637,023</u>
Total for agency funds		<u>\$ 30,860,990</u>

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Early Retirement	General Obligation Refunding Bonds	General Obligation County Building and Refunding Bonds	General Obligation Law Enforcement Center Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 19,383	\$ -	\$ 880,000	\$ 3,880,000	\$ 458,270	\$ 119,000	\$ 5,356,653
Increases	4,686	3,575,000	-	-	458,050	30,000	4,067,736
Decreases	20,313	-	145,000	3,640,000	458,270	-	4,263,583
Balance end of year	<u>\$ 3,756</u>	<u>\$ 3,575,000</u>	<u>\$ 735,000</u>	<u>\$ 240,000</u>	<u>\$ 458,050</u>	<u>\$ 149,000</u>	<u>\$ 5,160,806</u>
Due within one year	<u>\$ 3,756</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 240,000</u>	<u>\$ 458,050</u>	<u>\$ -</u>	<u>\$ 851,806</u>

Early Retirement

The County offers an early retirement plan to all employees who qualify for full retirement benefits under the Iowa Public Employees Retirement System.

The early retirement benefit for each employee is 50% of the employee's accumulated sick leave to be applied to future health insurance coverage under the County's health insurance plan until the employee reaches age 65. The employee may only continue the plan benefits in effect at the time of retirement.

Employees who retire after reaching age 65 and are not eligible to continue on the County's health insurance plan may receive a lump sum payment of one-half of their unused sick leave at the date of their retirement.

At June 30, 2012, the County had obligations to two participants with a total liability of \$3,756. Early retirement expenditures for the year totaled \$20,313. Early retirement is recorded as a long-term liability of the Governmental Activities in the government-wide financial statements. Early retirement benefits will be paid by the General Fund.

General Obligation Refunding Bonds

During the year ended June 30, 2012, the County issued \$3,575,000 in General Obligation Refunding Bonds. The bonds, dated March 6, 2012, are payable through the year ending June 30, 2024 and have interest rates ranging from .50% to 2.25%.

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Long-Term Liabilities (continued)

General Obligation Refunding Bonds (continued)

The proceeds of the General Obligation Refunding Bonds will be used to advance refund \$3,410,000 of the General Obligation County Law Enforcement Center bonds issued on March 15, 2005. Those bonds had interest rates ranging from 3.40% to 4.20%, were payable through the year ending June 30, 2024, and will become callable after June 1, 2013. This represents an advance refunding transaction and those bonds have been removed from the County's financial statements. The refunding of the March 15, 2005 General Obligation County Law Enforcement Center Bonds will result in a total savings of \$399,355 over the next twelve years, with an economic savings (net present value) of \$363,440.

Details of the County's general obligation refunding bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	0.50 %	\$ -	\$ 63,255	\$ 63,255
2014	0.50	300,000	51,173	351,173
2015	0.65	305,000	49,673	354,673
2016	0.85	305,000	47,690	352,690
2017	1.05	315,000	45,097	360,097
2018	1.30	320,000	41,790	361,790
2019	1.45	325,000	37,630	362,630
2020	1.60	335,000	32,917	367,917
2021	1.75	340,000	27,557	367,557
2022	1.95	345,000	21,608	366,608
2023	2.10	355,000	14,880	369,880
2024	2.25	330,000	7,425	337,425
		<u>\$ 3,575,000</u>	<u>\$ 440,695</u>	<u>\$ 4,015,695</u>

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8. Long-Term Liabilities (continued)

General Obligation County Building and Refunding Bonds

Details of the County's June 30, 2012 general obligation County building and refunding bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	1.70 %	\$ 150,000	\$ 17,780	\$ 167,780
2014	2.00	150,000	15,230	165,230
2015	2.25	80,000	12,230	92,230
2016	2.50	85,000	10,430	95,430
2017	2.80	85,000	8,305	93,305
2018	3.10	90,000	5,925	95,925
2019	3.30	95,000	3,135	98,135
		<u>\$ 735,000</u>	<u>\$ 73,035</u>	<u>\$ 808,035</u>

General Obligation Law Enforcement Center Bonds

Details of the County's June 30, 2012 general obligation law enforcement center bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.30 %	\$ 240,000	\$ 7,920	\$ 247,920

Non-current Interfund Loan

During the year ended June 30, 2012 the County approved a loan from the General Fund to the Special Revenue Fund, Secondary Roads totaling \$619,168 to help temporarily finance various road construction projects. The loan will be paid back to the General Fund over a three year period at .5% interest. No repayments on the loan were made during the year ended June 30, 2012.

Note 9. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 149 active and 4 retired members in the plan.

The medical/prescription drug coverage is administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Other Postemployment Benefits (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 71,703
Interest on net OPEB obligation	5,355
Adjustment to annual required contribution	<u>(7,306)</u>
Annual OPEB cost	69,752
Contributions made	<u>39,752</u>
Increase in net OPEB obligation	30,000
Net OPEB obligation beginning of year	<u>119,000</u>
Net OPEB obligation end of year	<u><u>\$ 149,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$39,752 to the medical plan.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 69,752	57.0%	\$ 149,000

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$641,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$641,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,033,000 and the ratio of the UAAL to covered payroll was 9.1%. As of June 30, 2012, there were no trust fund assets.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 9. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from Scale T-6 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan range from \$682 per month to \$743 per month for retirees less than age 65. The salary increase rate was assumed to be 2% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

Note 10. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$594,452, \$504,603 and \$457,241, respectively, equal to the required contributions for each year.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11. Risk Management

Marion County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$258,457.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 11. Risk Management (continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000 (\$150,000 for the County Treasurer), respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Marion County Employee Dental Insurance Plan

Marion County has an administrative services agreement with Delta Dental to administer the self-funded employee dental benefit plan. Monthly payments of service fees and contributions to fund the plans are paid to the Marion County Auditor, trustee for the plan. The monthly payments of service fees and plan contributions are recorded as expenditures at the time of the payment to the trustee. Under the agreement, payments for service fees and paid claims are remitted to Delta Dental on a weekly basis. The County assumes liability for dental claims up to \$1,000 per person per year and up to a maximum benefit carry over of \$1,000 per person for any unused benefit. The County also assumes liability for orthodontics claims up to a lifetime maximum of \$1,000 per person.

Amounts payable from the Internal Service, Self-Funded Dental Insurance Fund at June 30, 2012 include \$16,000 for incurred but not reported (IBNR) claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2011	\$ 16,719
Incurred claims and claim adjustments	107,890
Claims paid	<u>108,609</u>
Unpaid claims at June 30, 2012	\$ <u><u>16,000</u></u>

MARION COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 12. Construction Commitment

The County has entered into a contract totaling \$581,986 for the construction of a bridge. As of June 30, 2012, costs of \$527,573 have been incurred against the contract. The balance remaining at June 30, 2012 of \$54,413 will be paid as work on the project progresses.

Note 13. Contingent Liabilities

Landfill Closure Assurance Guaranty

The County participates in an agreement with the South Central Iowa Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The closure and post-closure costs to the Agency have been estimated at \$2,112,643. The Agency has begun to accumulate resources to fund these closure costs, and as of June 30, 2012, has \$2,242,716 restricted for this purpose. The Agency is required to accumulate the full amount of funds required for closure and post-closure during the life of the landfill. However, it must have additional mechanisms in place at all times during the life of the landfill to equal 100 percent of the current cost estimates. No financial assurance guaranty was required from the County for the fiscal year ended June 30, 2012.

Litigation

The County is involved in one ongoing lawsuit. The County's insurance carrier is affording coverage for this lawsuit.

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Required Supplementary Information

MARION COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
Required Supplementary Information
Year Ended June 30, 2012

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 11,110,970	\$ 10,937,839	\$ 10,937,839	\$ 173,131
Interest and penalty on property tax	93,401	53,000	53,000	40,401
Intergovernmental	7,660,086	6,429,710	7,169,244	490,842
Licenses and permits	32,281	36,160	36,160	(3,879)
Charges for service	1,171,189	1,116,011	1,118,148	53,041
Use of money and property	136,567	209,928	209,928	(73,361)
Miscellaneous	481,811	524,522	547,822	(66,011)
Total receipts	20,686,305	19,307,170	20,072,141	614,164
DISBURSEMENTS:				
Public safety and legal services	3,376,401	3,449,520	3,523,543	147,142
Physical health and social services	2,494,558	2,540,541	2,689,060	194,502
Mental health	3,256,013	2,158,904	3,300,904	44,891
County environment and education	1,381,830	1,308,636	1,393,636	11,806
Roads and transportation	5,904,391	6,085,067	6,085,067	180,676
Government services to residents	616,057	876,855	876,855	260,798
Administration	2,281,425	2,226,306	2,427,806	146,381
Debt service	585,323	555,914	555,914	(29,409)
Capital projects	1,416,845	635,000	1,974,330	557,485
Total disbursements	21,312,843	19,836,743	22,827,115	1,514,272
Excess (deficiency) of receipts over (under) disbursements	(626,538)	(529,573)	(2,754,974)	2,128,436
Other financing sources, net	77,350	1,000	1,000	76,350
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(549,188)	(528,573)	(2,753,974)	2,204,786
Balance beginning of year	12,023,146	10,839,371	10,839,371	1,183,775
Balance end of year	\$ 11,473,958	\$ 10,310,798	\$ 8,085,397	\$ 3,388,561

See accompanying independent auditor's report.

MARION COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 20,686,305	\$ 187,514	\$ 20,873,819
Expenditures	21,312,843	(257,382)	21,055,461
Net	(626,538)	444,896	(181,642)
Other financing sources, net	77,350	-	77,350
Beginning fund balances	12,023,146	369,371	12,392,517
Ending fund balances	<u>\$ 11,473,958</u>	<u>\$ 814,267</u>	<u>\$ 12,288,225</u>

See accompanying independent auditor's report.

MARION COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$2,990,372. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the capital projects function prior to amending the budget and the debt service function at year end. Disbursements in one department exceeded the amount appropriated.

MARION COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)

Required Supplementary Information

Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ -	\$ 502	\$ 502	0.0%	\$ 6,500	7.7%
2011	July 1, 2008	-	502	502	0.0%	6,750	7.4%
2012	July 1, 2011	-	641	641	0.0%	7,033	9.1%

See note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

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Supplementary Information

MARION COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Sheriff's Forfeiture	Attorney's Forfeiture
Assets				
Cash and pooled investments	\$ 23,901	\$ 370,287	\$ 9,404	\$ 300
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	585	-	-	-
Accrued interest	8	92	-	-
Total assets	<u>\$ 24,494</u>	<u>\$ 370,379</u>	<u>\$ 9,404</u>	<u>\$ 300</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ -	\$ -	-
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Records management purposes	24,494	-	-	-
Resource enhancement and protection	-	370,379	-	-
Public safety purposes	-	-	9,404	300
Debt service	-	-	-	-
Total fund balances	<u>24,494</u>	<u>370,379</u>	<u>9,404</u>	<u>300</u>
Total liabilities and fund balances	<u>\$ 24,494</u>	<u>\$ 370,379</u>	<u>\$ 9,404</u>	<u>\$ 300</u>

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Total</u>
\$ 53,174	\$ 457,066
398	398
178,000	178,000
-	585
71	171
<u>\$ 231,643</u>	<u>\$ 636,220</u>

\$ 178,000	\$ 178,000
391	391
<u>178,391</u>	<u>178,391</u>

-	24,494
-	370,379
-	9,704
53,252	53,252
<u>53,252</u>	<u>457,829</u>
<u>\$ 231,643</u>	<u>\$ 636,220</u>

MARION COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Sheriff's Forfeiture	Attorney's Forfeiture
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	15,518	-	-
Charges for service	6,656	-	-	-
Use of money and property	30	365	-	-
Miscellaneous	-	-	4,705	794
Total revenues	6,686	15,883	4,705	794
Expenditures:				
Operating:				
Public safety and legal services	-	-	226	4,000
Government services to residents	10,062	-	-	-
Debt service	-	-	-	-
Total expenditures	10,062	-	226	4,000
Excess (deficiency) of revenues over (under) expenditures	(3,376)	15,883	4,479	(3,206)
Other financing sources (uses):				
Interfund transfers in	-	-	-	-
General obligation refunding bonds issued	-	-	-	-
Payments to refunding bond escrow	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(3,376)	15,883	4,479	(3,206)
Fund balances beginning of year	27,870	354,496	4,925	3,506
Fund balances end of year	\$ 24,494	\$ 370,379	\$ 9,404	\$ 300

See accompanying independent auditor's report.

Debt Service		Total	
\$	240,419	\$	240,419
	7,232		22,750
	-		6,656
	148		543
	-		5,499
	<u>247,799</u>		<u>275,867</u>
	-		4,226
	-		10,062
	<u>576,845</u>		<u>576,845</u>
	<u>576,845</u>		<u>591,133</u>
	(329,046)		(315,266)
	300,000		300,000
	3,575,000		3,575,000
	<u>(3,536,739)</u>		<u>(3,536,739)</u>
	<u>338,261</u>		<u>338,261</u>
	9,215		22,995
	<u>44,037</u>		<u>434,834</u>
\$	<u><u>53,252</u></u>	\$	<u><u>457,829</u></u>

MARION COUNTY
 COMBINING SCHEDULE OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2012

	<u>Health Insurance</u>	<u>Self-Funded Dental Insurance</u>	<u>Vision Insurance</u>	<u>Flexible Benefits Plan</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ <u>1,134</u>	\$ <u>4,966</u>	\$ <u>5,574</u>	\$ <u>8,977</u>	\$ <u>20,651</u>
Liabilities					
Claims incurred but not reported	<u>-</u>	<u>16,000</u>	<u>-</u>	<u>-</u>	<u>16,000</u>
Net Assets					
Unrestricted	\$ <u><u>1,134</u></u>	\$ <u><u>(11,034)</u></u>	\$ <u><u>5,574</u></u>	\$ <u><u>8,977</u></u>	\$ <u><u>4,651</u></u>

See accompanying independent auditor's report.

MARION COUNTY
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2012

	Health Insurance	Self-Funded Dental Insurance	Vision Insurance	Flexible Benefits Plan	Total
Operating revenues:					
Contributions	\$ 1,278,366	\$ 117,620	\$ 17,887	\$ 79,192	\$ 1,493,065
Operating expenses:					
Claims	-	107,890	-	79,301	187,191
Insurance premiums	1,277,450	-	17,799	-	1,295,249
Administrative fees	-	7,332	-	-	7,332
Total operating expenses	1,277,450	115,222	17,799	79,301	1,489,772
Operating income (loss)	916	2,398	88	(109)	3,293
Non-operating revenues:					
Interest on investments	-	6	-	-	6
Net income (loss)	916	2,404	88	(109)	3,299
Net assets beginning of year	218	(13,438)	5,486	9,086	1,352
Net assets end of year	\$ 1,134	\$ (11,034)	\$ 5,574	\$ 8,977	\$ 4,651

See accompanying independent auditor's report.

MARION COUNTY
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2012

	Health Insurance	Self-Funded Dental Insurance	Vision Insurance	Flexible Benefits Plan	Total
Cash flows from operating activities:					
Cash received for contributions	\$ 1,278,366	\$ 117,620	\$ 17,887	\$ 79,192	\$ 1,493,065
Cash payments for claims	-	(108,609)	-	(79,301)	(187,910)
Cash payments for insurance premiums	(1,277,450)	-	(17,799)	-	(1,295,249)
Cash payments for fees and other expenses	-	(7,951)	-	-	(7,951)
Net cash provided by (used in) operating activities	916	1,060	88	(109)	1,955
Cash flows from investing activities:					
Interest on investments	-	6	-	-	6
Net increase (decrease) in cash and cash equivalents	916	1,066	88	(109)	1,961
Cash and cash equivalents beginning of year	218	3,900	5,486	9,086	18,690
Cash and cash equivalents end of year	<u>\$ 1,134</u>	<u>\$ 4,966</u>	<u>\$ 5,574</u>	<u>\$ 8,977</u>	<u>\$ 20,651</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 916	\$ 2,398	\$ 88	\$ (109)	\$ 3,293
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
(Decrease) in accounts payable	-	(1,338)	-	-	(1,338)
Net cash provided by (used in) operating activities	<u>\$ 916</u>	<u>\$ 1,060</u>	<u>\$ 88</u>	<u>\$ (109)</u>	<u>\$ 1,955</u>

See accompanying independent auditor's report.

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MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2012

	County Offices			Board of Supervisors
	County Auditor	County Recorder	County Sheriff	Congregate Meals
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	-
Other County officials	3,839	39,681	61,819	159,811
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	683	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 3,839</u>	<u>\$ 40,364</u>	<u>\$ 61,819</u>	<u>\$ 159,811</u>
LIABILITIES				
Accounts payable	\$ 6	\$ 17,255	\$ 17,809	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	-	23,109	-	-
Trusts payable	3,833	-	44,010	159,811
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 3,839</u>	<u>\$ 40,364</u>	<u>\$ 61,819</u>	<u>\$ 159,811</u>

<u>Senior Activity</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Area Schools</u>	<u>Schools</u>	<u>Corporations</u>	<u>E-911 Surcharge</u>
\$ - 813	\$ 3,193 -	\$ 315,586 -	\$ 9,551 -	\$ 259,450 -	\$ 104,087 -	\$ 184,886 -
-	556	1,003	1,618	42,842	13,886	-
-	235,000	425,000	685,000	17,965,000	9,152,000	-
-	-	2,112	-	-	-	32,490
-	-	-	-	-	-	53
-	-	-	-	-	-	10,525
<u>\$ 813</u>	<u>\$ 238,749</u>	<u>\$ 743,701</u>	<u>\$ 696,169</u>	<u>\$ 18,267,292</u>	<u>\$ 9,269,973</u>	<u>\$ 227,954</u>
\$ -	\$ -	\$ 5,229	\$ -	\$ -	\$ -	\$ 6,553
-	-	-	-	-	-	35
-	238,749	736,309	696,169	18,267,292	9,269,973	213,988
813	-	-	-	-	-	-
-	-	2,163	-	-	-	7,378
<u>\$ 813</u>	<u>\$ 238,749</u>	<u>\$ 743,701</u>	<u>\$ 696,169</u>	<u>\$ 18,267,292</u>	<u>\$ 9,269,973</u>	<u>\$ 227,954</u>

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2012

	Veteran Affairs	Townships	City Special Assessments	Auto License and Use Tax
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 449	\$ 7,660	\$ 16,430	\$ 732,751
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	1,813	-	-
Succeeding year	-	512,000	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	<u>\$ 449</u>	<u>\$ 521,473</u>	<u>\$ 16,430</u>	<u>\$ 732,751</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	449	521,473	16,430	732,751
Trusts payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	<u>\$ 449</u>	<u>\$ 521,473</u>	<u>\$ 16,430</u>	<u>\$ 732,751</u>

Brucellosis and Tuberculosis Eradication	Title III	Fire District	Emergency Management	Jail Canteen	Chore Service
\$ 52	\$ 1,016	\$ 48	\$ 90,671	\$ 88,178	\$ 13,432
-	-	-	-	-	-
9	-	6	-	-	-
4,000	-	3,000	-	-	-
-	3,603	-	76	5,246	2,224
-	-	-	-	-	-
-	11,633	-	24,493	-	-
<u>\$ 4,061</u>	<u>\$ 16,252</u>	<u>\$ 3,054</u>	<u>\$ 115,240</u>	<u>\$ 93,424</u>	<u>\$ 15,656</u>
\$ -	\$ 17,908	\$ -	\$ 4,766	\$ 961	\$ 4,100
-	2,357	-	-	-	-
4,061	(9,727)	3,054	105,655	-	-
-	-	-	-	92,463	11,556
-	5,714	-	4,819	-	-
<u>\$ 4,061</u>	<u>\$ 16,252</u>	<u>\$ 3,054</u>	<u>\$ 115,240</u>	<u>\$ 93,424</u>	<u>\$ 15,656</u>

MARION COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2012

	Recorder's Electronic Transaction Fee	Advance Tax Payments	Public Transportation	Local Option Sales and Services Tax
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 628	\$ 17,304	\$ 49,777	\$ -
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	585	-	3,780	-
Accrued interest	-	-	-	-
Due from other governments	-	-	5,048	40,000
	<hr/>			
Total assets	\$ <u>1,213</u>	\$ <u>17,304</u>	\$ <u>58,605</u>	\$ <u>40,000</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 31,385	\$ -
Salaries and benefits payable	-	-	-	-
Due to other governments	1,213	-	-	40,000
Trusts payable	-	17,304	27,220	-
Compensated absences	-	-	-	-
	<hr/>			
Total liabilities	\$ <u>1,213</u>	\$ <u>17,304</u>	\$ <u>58,605</u>	\$ <u>40,000</u>

See accompanying independent auditor's report.

Anatomical Gift, Public Awareness and Transportation		Total
\$	42	\$ 1,895,191
	-	265,963
	-	61,733
	-	28,981,000
	-	50,799
	-	53
	-	91,699
\$	<u>42</u>	\$ <u>31,346,438</u>
\$	-	\$ 105,972
	-	2,392
	42	30,860,990
	-	357,010
	-	20,074
\$	<u>42</u>	\$ <u>31,346,438</u>

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2012

	County Offices			Board of Supervisors
	County Auditor	County Recorder	County Sheriff	Congregate Meals
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 3,870	\$ 37,715	\$ 41,453	\$ 158,851
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Local options sales and services tax	-	-	-	-
Payments to states in lieu of real estate taxes	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	459	436,417	432,585	-
Auto licenses, use tax, drivers licenses and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	17	-	464,073	960
Hazard mitigation grants	-	-	-	-
Emergency management performance grants	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	476	436,417	896,658	960
Deductions:				
Agency remittances:				
To other funds	498	215,468	411,366	-
To other governments	-	218,300	9,780	-
Trusts paid out	9	-	455,146	-
Total deductions	507	433,768	876,292	-
Balances end of year	\$ 3,839	\$ 40,364	\$ 61,819	\$ 159,811

<u>Senior Activity</u>	<u>Agricultural Extension Education</u>	<u>County Assessor</u>	<u>Area Schools</u>	<u>Schools</u>	<u>Corporations</u>	<u>E-911 Surcharge</u>
\$ 496	\$ 226,805	\$ 755,760	\$ 678,432	\$ 18,214,890	\$ 9,378,780	\$ 213,283
-	235,328	425,968	685,939	18,006,371	9,084,954	-
-	7,001	12,635	20,944	573,292	212,955	-
-	-	-	-	-	-	-
-	60	108	179	53,414	4,712	-
-	-	-	-	-	-	182,524
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,551	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	205
-	-	2,123	-	-	-	1,017
4,551	242,389	440,834	707,062	18,633,077	9,302,621	183,746
-	-	-	-	-	-	-
-	230,445	452,893	689,325	18,580,675	9,411,428	169,075
4,234	-	-	-	-	-	-
4,234	230,445	452,893	689,325	18,580,675	9,411,428	169,075
\$ 813	\$ 238,749	\$ 743,701	\$ 696,169	\$ 18,267,292	\$ 9,269,973	\$ 227,954

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2012

	Veteran Affairs	Townships	City Special Assessments	Auto License and Use Tax
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 449	\$ 483,076	\$ 4,717	\$ 714,487
Additions:				
Property and other County tax	-	517,334	-	-
State tax credits	-	18,108	-	-
Local options sales and services tax	-	-	-	-
Payments to states in lieu of real estate taxes	-	7,384	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax, drivers licenses and postage	-	-	-	8,326,713
Assessments	-	-	33,775	-
Trusts	-	-	-	-
Hazard mitigation grants	-	-	-	-
Emergency management performance grants	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	-	542,826	33,775	8,326,713
Deductions:				
Agency remittances:				
To other funds	-	-	-	307,931
To other governments	-	504,429	22,062	8,000,518
Trusts paid out	-	-	-	-
Total deductions	-	504,429	22,062	8,308,449
Balances end of year	\$ 449	\$ 521,473	\$ 16,430	\$ 732,751

Brucellosis and Tuberculosis Eradication	Title III	Tax Sale Redemption	Fire District	Emergency Management	Jail Canteen	Chore Service
\$ 4,068	\$ 40,302	\$ -	\$ 3,065	\$ 58,497	\$ 74,175	\$ 12,146
3,618	-	-	3,242	-	-	-
114	-	-	138	-	-	-
-	-	-	-	-	-	-
1	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	325,279	602,236	-	-	42,109	27,509
-	-	-	-	22,250	-	-
-	-	-	-	55,892	-	-
-	-	-	-	-	-	-
-	-	-	-	106,037	-	-
3,733	325,279	602,236	3,380	184,179	42,109	27,509
-	-	-	-	-	-	-
3,740	-	-	3,391	127,436	-	-
-	349,329	602,236	-	-	22,860	23,999
3,740	349,329	602,236	3,391	127,436	22,860	23,999
\$ 4,061	\$ 16,252	\$ -	\$ 3,054	\$ 115,240	\$ 93,424	\$ 15,656

MARION COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2012

	Recorder's Electronic Transaction Fee	Advance Tax Payments	Public Transportation	Local Option Sales and Services Tax
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 3,075	\$ 23,648	\$ 61,893	\$ 40,000
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Local options sales and services tax	-	-	-	240,000
Payments to states in lieu of real estate taxes	-	-	-	-
E-911 surcharge	-	-	-	-
Office fees and collections	6,656	-	-	-
Auto licenses, use tax, drivers licenses and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	12,505	266,185	-
Hazard mitigation grants	-	-	-	-
Emergency management performance grants	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	6,656	12,505	266,185	240,000
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	8,518	-	-	240,000
Trusts paid out	-	18,849	269,473	-
Total deductions	8,518	18,849	269,473	240,000
Balances end of year	\$ 1,213	\$ 17,304	\$ 58,605	\$ 40,000

See accompanying independent auditor's report.

Anatomical Gift, Public Awareness and Transportation	Total
\$ 59	\$ 31,233,992
-	28,962,754
-	845,187
-	240,000
-	65,858
-	182,524
-	876,117
-	8,326,713
-	33,775
-	1,745,424
-	22,250
-	55,892
-	205
445	109,622
445	41,466,321
-	935,263
462	38,672,477
-	1,746,135
462	41,353,875
\$ 42	\$ 31,346,438

MARION COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Property and other County tax	\$ 11,082,344	\$ 10,581,178	\$ 10,134,344	\$ 9,768,915
Interest and penalty on property tax	93,120	106,281	95,927	94,916
Intergovernmental	8,030,587	7,512,500	7,821,660	8,805,960
Licenses and permits	34,188	31,417	32,524	18,115
Charges for service	1,130,308	1,194,318	1,197,183	1,160,761
Use of money and property	121,742	170,984	168,061	206,243
Miscellaneous	381,530	699,007	444,028	435,436
Total	\$ 20,873,819	\$ 20,295,685	\$ 19,893,727	\$ 20,490,346
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,315,442	\$ 3,162,622	\$ 3,029,931	\$ 3,015,604
Physical health and social services	2,451,806	2,516,784	2,364,667	2,347,248
Mental health	3,094,667	2,460,887	2,418,348	2,278,438
County environment and education	1,314,598	1,490,243	1,246,594	1,205,327
Roads and transportation	6,059,001	6,764,906	5,850,704	6,348,573
Government services to residents	606,168	623,063	596,528	625,144
Administration	2,261,425	2,086,466	2,101,628	2,099,462
Debt service	585,323	549,444	728,109	465,829
Capital projects	1,367,031	1,294,048	714,991	574,977
Total	\$ 21,055,461	\$ 20,948,463	\$ 19,051,500	\$ 18,960,602

See accompanying independent auditor's report.

	2008	2007	2006	2005
\$	9,189,865	\$ 9,274,345	\$ 8,916,108	\$ 8,611,535
	95,094	92,313	82,702	81,839
	6,789,833	5,858,139	6,049,533	6,139,309
	16,897	15,643	18,383	14,938
	1,912,090	1,627,868	1,449,997	1,439,528
	395,560	388,924	387,617	137,568
	620,346	404,097	599,682	440,403
\$	<u>19,019,685</u>	<u>\$ 17,661,329</u>	<u>\$ 17,504,022</u>	<u>\$ 16,865,120</u>
\$	2,837,709	\$ 2,494,360	\$ 2,250,878	\$ 2,033,900
	2,354,699	1,905,738	1,900,406	2,226,147
	2,885,427	2,679,212	2,412,897	2,226,239
	1,167,909	1,109,158	1,023,321	958,101
	5,701,926	5,595,033	5,393,024	4,590,995
	523,828	514,848	744,153	502,958
	1,991,003	1,842,881	1,967,014	1,712,002
	459,716	463,023	579,104	159,265
	658,409	2,396,298	3,800,454	1,809,179
\$	<u>18,580,626</u>	<u>\$ 19,000,551</u>	<u>\$ 20,071,251</u>	<u>\$ 16,218,786</u>

MARION COUNTY

SCHEDULE OF TITLE III ACTIVITY
Year Ended June 30, 2012

Additions:

Special programs for the aging - Title III, Part C nutrition services (noncash)	\$	11,896	
Special programs for the aging - Title III, Part C nutrition services		108,450	
Elderly waiver		27,883	
Donations and contributions		<u>177,050</u>	\$ 325,279

Deductions:

Salaries and benefits	174,706	
Food and provisions	130,783	
Supplies	1,246	
Travel and training	7,549	
Telephone and utilities	8,670	
Trash removal	1,219	
Rental building	18,375	
Equipment and repair	5,705	
Miscellaneous	<u>1,076</u>	\$ <u>349,329</u>

Net (24,050)

Balance beginning of year 40,302

Balance end of year \$ 16,252

See accompanying independent auditor's report

MARION COUNTY

SCHEDULE OF PUBLIC TRANSPORTATION ACTIVITY
Year Ended June 30, 2012

Additions:

Federal Transit Administration - HIRTA	\$ 52,356	
State Transit Administration - HIRTA	15,568	
Grants for Supportive Services and Senior Centers	39,156	
Elderly waiver	15,363	
Senior citizen fares	48,905	
Local contributions from County	39,000	
United Way	7,750	
Miscellaneous	<u>48,087</u>	\$ 266,185

Deductions:

Wages and benefits	181,512	
Fuel	45,002	
Office supplies	400	
Employee mileage reimbursement	365	
Telephone	550	
Equipment expense	19,436	
Administration	8,892	
Insurance	12,859	
Miscellaneous	<u>457</u>	<u>269,473</u>

Net (3,288)

Balance beginning of year 61,893

Balance end of year \$ 58,605

See accompanying independent auditor's report.

MARION COUNTY

IOWA DEPARTMENT OF PUBLIC HEALTH
SCHEDULE OF REVENUES, EXPENDITURES, AND BALANCES
Year Ended June 30, 2012

	Women, Infants and Children 5882AO53	Women, Infants and Children 5881AO53	Maternal Child Health 5882MH06	Maternal Child Health 5881MH06
Revenues:				
Federal	\$ 294,180	\$ 114,496	\$ 31,169	\$ 1,404
State	-	-	13,523	-
Other	-	-	55,006	16,205
Total	294,180	114,496	99,698	17,609
Expenditures:				
Salaries and benefits	183,415	58,598	79,184	14,396
Contracted providers	15,414	21,812	1,628	465
Administration/indirect costs	38,086	12,887	4,266	1,763
Miscellaneous	57,265	21,199	14,620	985
Total	294,180	114,496	99,698	17,609
Balance	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

Immunization Action Plan 5882I488	Immunization Action Plan 5881I488	Public Health Emergency Preparedness 5882BT205	Public Health Emergency Preparedness 5881BT205	Community Transformation Grants 5882HP14
\$ 5,313	\$ 8,687	\$ 123,792	\$ 53,392	\$ 35,615
3,750	-	-	-	-
-	-	-	-	-
9,063	8,687	123,792	53,392	35,615
5,473	3,479	74,189	7,967	23,797
2,577	5,029	19,695	17,991	-
-	-	11,254	4,876	5,028
1,013	179	18,654	22,558	6,790
9,063	8,687	123,792	53,392	35,615
\$ -	\$ -	\$ -	\$ -	\$ -

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5882AO53	\$ 294,180
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	5881AO53	114,496
			<u>408,676</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY 12	<u>8,144</u>
Iowa Department of Agriculture:			
WIC Farmers' Market Nutrition Program	10.572	FY 12	<u>1,123</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-WS-042	<u>79,072</u>
U.S. Department of Justice:			
Iowa Office of Drug Control Policy:			
Division of Narcotics Enforcement:			
Polk County:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	08/09JAG16168C	<u>42,064</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS63(102)	<u>422,058</u>
Heart of Iowa Regional Transit Agency:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	FY 12	<u>52,356</u>

MARION COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect (continued):			
U.S. Department of Transportation (continued):			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	11-410, Task 48	\$ 1,701
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	12-410, Task 48	7,001
			<u>8,702</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Social Services Block Grant	93.667	FY 12	<u>97,189</u>
Aging Resources of Central Iowa:			
Special Programs for the Aging - Title III, Part C - Nutrition Services (noncash)	93.045	FY 12	11,896
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	FY 12	108,450
			<u>120,346</u>
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566	FY 12	<u>13</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	FY 12	<u>1,858</u>
Foster Care - Title IV-E	93.658	FY 12	<u>2,981</u>
Adoption Assistance	93.659	FY 12	<u>861</u>
Social Services Block Grant	93.667	FY 12	<u>2,580</u>
Children's Health Insurance Program	93.767	FY 12	<u>28</u>
Medical Assistance Program	93.778	FY 12	<u>7,636</u>

MARION COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services (continued):			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT63	\$ 14,100
Public Health Emergency Preparedness	93.069	5882BT205	123,792
Public Health Emergency Preparedness	93.069	5881BT63	11,161
Public Health Emergency Preparedness	93.069	5881BT205	53,392
Public Health Emergency Preparedness	93.069	5881BT363	32,042
			<u>234,487</u>
Immunization Cooperative Agreements	93.268	5881I488	8,687
Immunization Cooperative Agreements	93.268	5882I488	5,313
			<u>14,000</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5882NB18	<u>15,224</u>
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	5882HP14	<u>35,615</u>
Maternal and Child Health Services Block Grant to the States	93.994	5881MH06	1,404
Maternal and Child Health Services Block Grant to the States	93.994	5882MH06	31,169
			<u>32,573</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR1930	<u>310,031</u>
Hazard Mitigation Grant	97.039	FY12	<u>22,250</u>
Emergency Management Performance Grants	97.042	FY 12	<u>55,892</u>
Total			<u>\$ 1,975,759</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Marion County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Marion County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 18, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Marion County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marion County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marion County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marion County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-C-12 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Marion County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Marion County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Marion County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marion County and other parties to whom Marion County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Marion County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
March 18, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Marion County:

Compliance

We have audited Marion County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Marion County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Marion County's management. Our responsibility is to express an opinion on Marion County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marion County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marion County's compliance with those requirements.

In our opinion, Marion County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Marion County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants agreements applicable to federal programs. In planning and performing our audit, we considered Marion County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marion County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the County's internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Marion County and other parties to whom Marion County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa
March 18, 2013

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
 - CFDA Number 20.205 Highway Planning and Construction
 - CFDA Number 93.069 Public Health Emergency Preparedness
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Marion County did not qualify as a low-risk auditee.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Recorder, Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (continued):

II-A-12 Segregation of Duties (continued)

Responses –

County Recorder – We will review procedures and try to make any necessary changes to improve internal control.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We have improved procedures during the year and will try to make any necessary changes to improve internal control in the future.

Conclusion – Responses accepted.

II-B-12 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the County’s financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

II-C-12 Camping Fees – We noted in our testing of receipts for camping fees that the conservation department is not always turning those fees received over to the County Treasurer for deposit and revenue recognition on a timely basis. We noted that some fee receipts were held as long as 44 days by the conservation department before being turned in.

Recommendation – All fees for camping should be remitted to the County Treasurer on a timely basis. We recommend that these fees be turned in no less often than once a week to protect the underlying asset and insure proper revenue recognition.

Response – The nature of these receipts and our ability to retrieve all fees that have been paid in relation to other conservation duties complicates the timely remittance of these fees to the County Treasurer. However, we will review our procedures and will make any possible changes to insure the timeliness of these remittances in the future. We have made improvements to our process and deposits became more timely toward the spring of 2012.

Conclusion – Response accepted.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the capital projects function prior to amending the budget and the debt service function at year end.
Disbursements in the Supervisor department exceeded the amounts appropriated.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required in the future and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- IV-B-12 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-12 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-12 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

MARION COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting (continued):

- IV-J-12 Financial Condition – The County’s Internal Service Fund, Self-Funded Dental Insurance had deficit net assets of \$11,034 at June 30, 2012. The County uses this fund to self-insure for dental and related costs for County employees and should have a reserve to cover all necessary and projected costs.

Recommendation – The County should explore alternatives to return this fund to a sound financial condition.

Response – We are exploring all options at this time, including the possibility of returning to a fully-insured plan in the future.

Conclusion – Response accepted.

- IV-K-12 Code of Ordinances – Chapter 331.302 (10)(a) of the Code of Iowa requires the County Board of Supervisors to compile a complete code of ordinances at least once every five years. The County has not adopted a new code of ordinances since March 27, 2006.

Recommendation – The County should compile an updated code of ordinances to comply with the Code of Iowa. Alternatively, the County could compile all ordinances adopted or amended since the last code of ordinances was compiled and adopt this compilation as a supplement to the code of ordinances currently in as allowed by Chapter 331.302(10)(b) of the Code of Iowa.

Response – We are working on the new code of ordinances at this time and will complete the process in the near future.

Conclusion – Response accepted.